

**2006 Solar or Wind Energy System Credit****3508****Attach to your California tax return.**

Name(s) as shown on return

☐ SSN or ITIN ☐ Corporation no. ☐ FEIN

Parcel or address where system is located

Secretary of State (SOS) file number

City or town

State

ZIP Code

**Parts I, II, and III, see instructions.****Part IV****1** Credit carryover from prior years. See instructions. **1****2** Enter the amount of credit claimed on your current tax return. See instructions. **2****Caution:** This amount may be less than the amount on line 1 if your credit is greater than your tax liability.**3** Credit carryover available for future years. Subtract line 2 from line 1 **3****Part V****1** Credit recapture. See instructions. **1****General Information**

For taxable years beginning on or after January 1, 2001, California Personal Income Tax Law and Corporation Tax Law allows a nonrefundable Solar or Wind Energy System Credit for certain approved photovoltaic or wind-driven solar or wind energy systems. For taxable years beginning on or after January 1, 2004, and before January 1, 2006, the credit percentage changed from 15% to 7.5%. Taxpayers can use the credit against the net tax in an amount equal to the lesser of 7.5% (.075) of the cost paid or incurred for the purchase and installation of a solar or wind energy system after deducting the value of any municipal, state, or federally sponsored financial incentives, or the applicable dollar amount per rated watt of the solar or wind energy system. **Important: The last taxable year to claim this credit was 2005.**

**Purpose**

Use form FTB 3508 to figure the Solar or Wind Energy System credit carryover and recapture. You claim the credit carryover and recapture by completing and attaching form FTB 3508 to the tax return for the tax year you qualify for the credit. Attach form FTB 3508 to your tax return filed with the California Franchise Tax Board.

S corporations, estates or trusts, partnerships, and limited liability companies (LLCs) classified as partnerships should complete form FTB 3508 to figure the amount of credit to pass through to S corporation shareholders, beneficiaries, partners, or members. Attach form FTB 3508 to Form 100S, Form 541, Form 565, or Form 568. Show the pass-through credit for each S corporation shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568).

**Recapture**

If a solar or wind energy system is sold or removed from California within one year from the date it was placed in service, the amount of credit allowed for that system must be recaptured in the year the system was sold or removed.

**Record Keeping**

Retain all documents pertaining to the purchase and installation of your solar or wind energy system such as sales slips, invoices, receipts, cancelled checks, or other proof of purchase and/or payment. You need not attach your completed Solar or Wind Energy System Credit Worksheet to form FTB 3508 when you file your tax return. However, you must retain copies of the List of Approved Photovoltaic Modules, List of Approved Inverters, and a List of Approved Wind Turbines. California law requires taxpayers to keep copies of all certification

information obtained from the California Energy Commission to document the system's certification.

The taxpayer will need to provide evidence that the equipment is covered by a five-year warranty, covering the five-year period from the time the equipment is placed in service. Evidence of coverage could include a copy of the warranty provided with the specific equipment, or any document that reflects the fact that the manufacturer is providing coverage for the equipment. The taxpayer will also need to provide evidence that the system actually is used to produce electricity and used to meet taxpayer's own energy needs, which could include copies of the taxpayer's utility bills.

Retain these documents and make them available to the Franchise Tax Board upon request.

**Limitations**

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). The remaining 2/3 must be disregarded and may not be used as carryover. In addition, S corporations may pass through 100% of the credit to their shareholders.

If a taxpayer owned an interest in a disregarded business entity [a single member limited liability company (SMLLC) not recognized by California, and for tax purposes is treated as a sole proprietorship owned by an individual or a branch owned by a corporation], the credit amount received from the disregarded entity that could be utilized was limited to the difference between the taxpayer's regular tax figured with the income of the disregarded entity, and the taxpayer's regular tax figured without the income of the disregarded entity.

An SMLLC may be disregarded as an entity separate from its owner, and is subject to statutory provisions that recognize otherwise disregarded entities for certain purposes including the tax and fee of an LLC, the return filing requirements of an LLC, and the credit limitations previously mentioned. Get Form 568, Limited Liability Company Return of Income Tax Booklet, for more details.

**Note:** If the disregarded entity reports a loss, the taxpayer may not claim the credit this year but can carry over the credit amount received from the disregarded entity.

This credit cannot reduce the minimum franchise tax (corporations and S corporations), the annual tax (limited partnerships, limited liability partnerships, and LLCs), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations).

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This credit cannot reduce regular tax below TMT. Get Schedule P (100, 100W, 540, 540NR, or 541) for more information.

No other credit or deduction may be allowed for any cost for which a credit is allowed under this section. In addition, the basis of the solar or wind energy system must be reduced by the amount allowed as a credit.

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## Specific line Instructions

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**Parts I, II, and III are obsolete. Use this form to claim credit carryover or recapture only.**

### Part IV

**Line 1.** Enter the amount from Part IV, line 4, of your 2005 form FTB 3508.

**Line 2.** The amount of credit that you may claim on your tax return may be limited. Refer to the credit instructions in your tax booklet for more information. The instructions also explain how to claim this credit on your tax return. Use credit code number **217** when you claim this credit.

**Note: This credit is not refundable.**

**Line 3.** If the available credit exceeds the current year tax liability, the unused credit may be carried over to the following year. The credit carryover is allowed for up to eight taxable years after the tax year for which the credit was generated or until the credit is exhausted. Apply the carryover to the earliest taxable years possible. This credit cannot be carried back or applied against a prior year's tax.

### Part V

**Line 1.** Any credit amount previously claimed must be added back to your tax liability if the system was sold or removed from California within one year of the date the system was placed in service.

Enter the total here and on one of the following California tax returns or schedules, as applicable:

- Form 100, 100S, and 100W, Schedule J.
- Form 109, 565, and 568, Schedule K.
- Form 540, Long Form 540NR, and 541, other taxes.